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ABSTRACT

Funding for public elementary and secondary education is a significant portion of most state budgets, representing on average approximately one-third of general fund appropriations. This booklet provides policymakers with five broad principles for the design of state school funding systems--equity, efficiency, adequacy, accountability, and stability. Appendices contain data on federal, state, and local shares in funding public education for 1993-94 and descriptions and classification of basic school-finance formulas. One figure is included. (LMI)

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PRINCIPLES OF A SOUND STATE SCHOOL FINANCE SYSTEM

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Principles of a Sound State School Finance System

by the
Education Partners Project
Foundation for State Legislatures

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July 1996

The National Conference of State Legislatures serves the legislators and staffs of the nation's 50 states, its commonwealths, and territories. NCSL is a bipartisan organization with three objectives:

- To improve the quality and effectiveness of state legislatures;
- To foster interstate communication and cooperation;
- To ensure states a strong cohesive voice in the federal system.

The Conference operates from offices in Denver, Colorado, and Washington, D.C.

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About the Education Partners Project

In early 1994, the National Conference of State Legislatures and the Foundation for State Legislatures convened a group of state legislators, legislative staff, business organizations and nonprofit organizations to begin a conversation about the principles and components of a sound state school finance system.

The major purpose of the Education Partners Project is to encourage dialogue and build consensus among these groups because educational goals can be realized only when coupled with a sound funding system.

In addition to this report, four working papers on related education finance topics emerged from the partnership:

1. The Relationship Between Educational Expenditure and Student Achievement;
2. The Search for Equity in School Funding;
3. Efficiency and Education Finance;
4. Taxation and Revenues for Education.

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This document should be attributed to the individuals involved in the project and not to the organizations or legislative bodies to which they belong. The views presented here do not necessarily represent the position of the Foundation for State Legislatures or the National Conference of State Legislatures.

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Introduction

Funding for public elementary and secondary education is a significant portion of most state budgets, representing on average approximately one-third of general fund appropriations. As a result, policymakers spend considerable time and thought in allocating money to schools to achieve a range of funding goals. These goals are represented by principles underlying public school finance—equity, efficiency, adequacy, accountability and stability.

In the 1990s, many policymakers are concerned that state school finance systems:

- Relate funding to state educational goals and standards;
- Link funding to improved educational results;
- Address capital investment as well as operating expenditures;[1]
- Encourage schools to make the best use of available resources;
- Are perceived as fair to both students and taxpayers.

This booklet is designed to give policymakers broad principles for the design of state school funding systems. We recognize that no one funding formula or set of formulas is right for all states, given voter diversity, tradition and interpretations of state constitutions with regard to education.

It is important for the reader to note that this report is limited to the principles of a sound state school funding system for public elementary and secondary education, which includes both the revenue and expenditure sides of funding. The report does not define the content of educational programs, curriculum, assessment or standards because they are beyond its scope.

1. Capital investment refers to the construction and maintenance of facilities as well as technology infrastructure.

What Is a State School Finance System?

A state school finance system is sometimes viewed simply as a mechanism for distributing revenues to school districts through various funding formulas. However, a state school finance system is much more complex. It encompasses how revenues are raised and at which levels—local, state, federal. The type and mix of taxes used, such as property tax vs. income or sales taxes, are important issues, as are the use of nontax revenues, such as those from lotteries and gaming. Another concern is how the funds are spent and accounted for by local school districts.

Historically, the structure of school funding systems has been influenced by three major legal considerations:

- State constitutional requirements;
- State statutes;
- Judicial decisions.

Provision of and funding for public education is a unique requirement of state constitutions. Over the years, legislatures' interpretations of that responsibility have been translated into state statutes that have defined the state and local shares in funding education. In addition, some state courts have shaped school finance systems over the past 25 years. When state courts have ruled school finance systems unconstitutional, legislatures have been directed to change school funding systems, although court decisions have varied in their specificity. In addition, judicial rulings in one state have no legal bearing on funding systems in other states.

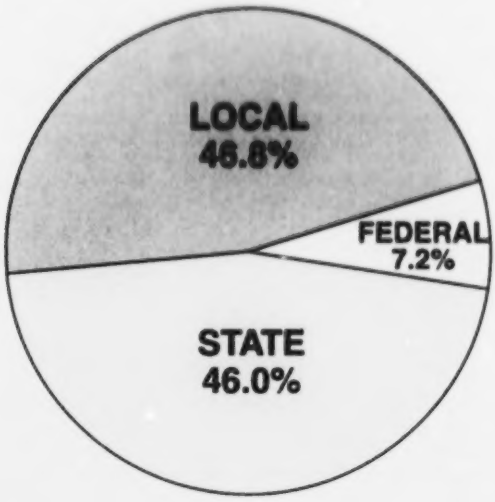
Education funding may be visualized as a partnership among local school districts, the state and the federal government. This is a partnership that has evolved over time. The most current data are from 1993-94, where the average shares were 46.0 percent state; 46.8 percent local; and 7.2 percent federal. (See figure 1.) However, there is tremendous variation across states in the relative shares. (See appendix A, for a state-by-state listing.)

Each state uses a combination of school aid formulas. For the most part they fall into a few broad categories. All states have some type of basic aid to school districts. Basic aid may be used for any

school district operating expenditure. Forty states use a foundation program for distribution of basic aid. (See appendix B for a description and summary table of types of basic aid formulas.) A second type of aid is categorical aid, where funding is targeted and must be spent by the school district for a particular purpose, such as transportation or special education. Some state funding systems use weighting factors instead of or in addition to categorical aid. A weighting factor acts as a multiplier in conjunction with basic aid. In recent years, a few states have developed competitive funding components, such as aid based on submission of proposals, and incentive aid, awarded to schools or school districts for student performance.

Figure 1

Federal, State and Local Shares in Funding Public Education, 1993-94



Source: National Education Association. *1994-95 Estimates of School Statistics* (Washington, D.C., 1995), 38.

Principles of a Sound State School Finance System

A sound state school finance system is characterized by clarity of purpose, internal consistency and comprehensiveness. Yet the funding system itself remains a means to the end, that of providing a quality education to every child in a state. It is important to note that in crafting a sound state school finance system policymakers face the challenge of trying to balance these principles to achieve an integrated funding system. A sound state school finance system is based on five primary principles:

1. Equity

A sound state school finance system provides equity for both students and taxpayers

2. Efficiency

A sound state school finance system is efficient, making the best possible use of resources. An efficient school finance system also minimizes the cost of state oversight through ease of administration and ease of local school district compliance.

3. Adequacy

A sound state school finance system provides adequate resources to local school districts so that they may achieve state and local educational goals and standards.

4. Accountability

A sound state school finance system incorporates fiscal accountability at the state and local levels through generally accepted budgeting, accounting and auditing procedures. Increasingly, accountability links finance and outcomes as in performance-based budgeting. Accountability also includes collection and maintenance of a state fiscal data base for systematic evaluation of the funding system at regular intervals.

5. Stability

A sound state school finance system promotes predictability and stability of educational revenues and expenditures over time.

1. Equity

A sound state school finance system provides equity for both students and taxpayers and in operating and capital expenditures.

Equity is a complex concept to define and operationalize. Equity for students is often broadly defined as equality of educational opportunity or equality of access to educational opportunities. Student equity may be defined more precisely if divided into horizontal and vertical equity. Horizontal equity means "the equal treatment of equals." It is most often operationalized as equality of per pupil expenditures, with a focus on reducing disparities in per pupil expenditures across school districts.

Vertical equity is more complex; it is defined as "the unequal treatment of unequals." It allows differential spending levels based on needs of students. In particular, it gives consideration to the potential need for additional resources for special populations, such as students with developmental disabilities, limited English proficiency and family poverty, as well as talented and gifted children. Vertical equity also includes addressing conditions outside the classroom that affect a child's ability to learn, such as nutrition, health and family environment. The field of integrated or collaborative services for children is emerging as an important consideration for achieving vertical equity. Blending funding streams from education and social services is one of the challenges of collaborative service delivery.

Pragmatically, a sound state school finance system cannot exist without taxpayer equity because there would not be continued support for educational expenditures. Taxpayer equity includes issues of tax capacity and tax effort. Tax capacity here refers to the ability of an individual or jurisdiction to support education. More simply, tax capacity refers to wealth, which for taxation purposes may be measured in a number of ways, for example, in terms of real and tangible property and personal and corporate income. Tax effort generally refers to a ratio of actual tax collections to a tax base.

Sound taxation principles recognize that those jurisdictions with the most wealth or tax capacity are able to shoulder a larger burden of

local educational expenditure than those in less fortunate school districts. Sound taxation principles also recognize that even less wealthy school districts can make some type of fiscal effort through a local tax rate for education that is consistent across school districts, with the state providing proportionately more aid to the less wealthy.

In recent years, the importance of equity in capital and operating expenditures for school districts has emerged as an important state school finance policy issue, in part due to the release of national studies and school finance litigation. Tremendous variation in state support for capital expenditures exists at present. Because school districts in most states must rely on local bond issues based on property wealth to construct and renovate facilities, considerable inequity exists in school facilities. With greater emphasis on technology in the workplace, significant capital investments in upgrading equipment and facilities in schools are necessary to insure students have equal access.

2. Efficiency

A sound state school finance system is efficient, making the best possible use of resources. An efficient school finance system also minimizes the cost of state oversight through ease of administration and ease of local school district compliance.

More and more, state policymakers are calling upon school districts to demonstrate efficient use of existing resources before allocating additional money. Efficient use of resources is also referred to as cost-effectiveness. From a state policy perspective, efficiency demands the best use of existing resources. Although it is beyond the scope of this report to define educational goals and programs, the efficient use of funds is dependent upon well-defined educational goals and standards that allow school districts to match resources to the achievement of results. Meaningful evaluation of efficiency is possible only with clearly defined, objective measures that are valid and reliable.

One method to improve the linkage between money and educational goals is strategic, long-range planning by school districts. States can assist in this process, first by requiring that school districts submit strategic plans and, second by providing technical assistance to school districts to learn the mechanics of planning. Embracing market-oriented strategies, some states have moved in the direction of fiscal incentives, rewards, pay for performance and sanctions for unsatisfactory performance. Only a handful of states have incorporated these strategies into their funding system. In most cases, they represent a very small portion of overall education funding. Because market-oriented strategies represent such a small percentage of funding and because they have not been in operation for long, it is not possible to evaluate their success.

A sound state school finance system is also efficient in the sense that states manage and implement the system in a manner that minimizes the cost of state oversight through ease of administration and ease of local school district compliance. This means that a complicated system of funding is made as easy to understand as possible and that school districts' paperwork is kept to a minimum. It also may mean

taking advantage of technology to reduce the amount of paper flowing between school districts and state offices. Several states have developed integrated technology systems that allow on-line reporting, reducing paperwork and improving the quality and timeliness of communication.

3. Adequacy

A sound state school finance system provides adequate resources to local school districts so that they may achieve state and local educational goals and standards.

Public schools will not be successful if they do not receive adequate funding. Determining the adequacy of funding systems begins with the stated goals and standards of a state's educational system. Only then is it possible to determine if adequate resources have been allocated. School improvement efforts and education reforms in general also fall under this rubric; that is, they must be costed out and funded adequately if they are to be successful.

Adequacy also refers to adjustments in the overall funding system due to unique characteristics of the state and school districts. Some factors include regional cost adjustments, sparsity factors, municipal overburden and adjustments for small schools. Usually these are designed as weighting factors to the basic aid formula although they also may be constructed as categorical aid programs. Regional cost adjustments and sparsity and density factors compensate school districts for differential costs in purchasing educational services. Sparsity factors usually target more funds to sparsely populated or rural areas based on the assumption some services are more costly in these areas. In a sparsely populated area, for example, there may be only one supplier of a good, creating a monopoly and higher costs. Municipal overburden factors on the other hand, compensate school districts for the high cost of doing business in urban centers. Small schools adjustment factors compensate schools with necessarily small enrollments, often in rural areas, for the loss of economies of scale.

However, it is necessary to point out that although a number of states use some combination of these factors, little systematic research exists to support the assumptions upon which they are based. In addition, some of these factors may contribute to already existing inequities among school districts. For example, a regional cost adjustment factor based on average income in a school district channels more funding to wealthy school districts.

Adequacy of educational funding has traditionally been applied only to operating expenditures. However, adequacy of capital funding also is important. With most school districts reliant upon their local property wealth for construction and major repairs of facilities, the concept of adequacy of resources emerges as an important consideration.

4. Accountability

A sound state school finance system incorporates fiscal accountability at the state and local levels through generally accepted budgeting, accounting and auditing procedures. Increasingly, accountability links finance and outcomes, as in performance-based budgeting. Accountability also includes the collection and maintenance of a state fiscal data base for systematic evaluation of the funding system at regular intervals.

A comprehensive system of school district fiscal accountability, which is based upon generally accepted practices in budgeting, accounting and auditing, is essential to a sound state school finance system. When collected regularly and maintained over time, the information generated creates a longitudinal state data base that enhances fiscal accountability. In addition, it provides an important comparative data base for school districts and other states.

Budgeting formats have evolved over the past 30 years, from traditional line item budgets to program-based, site-based and performance-based formats. The traditional line item budget—personnel, maintenance, supplies and equipment—is simplest but gives the least information. Many states have moved toward program-based budgeting and accounting that provides budget information by educational program and allows analysis of, for example, the percentage of the budget that goes directly to instruction. Site-based budgets add another dimension by tracking money to school sites so that school comparisons can be made within a district and across a state. As more states move toward site-based management and hence site-level budgeting, school-by-school fiscal information will become more readily available. Performance-based budgeting seeks to link educational results to expenditure. This is the most complex and labor-intensive of the budget formats listed. However, as states demand greater efficiency from school districts, the move toward performance-based budgeting seems inevitable.

Budgeting and accounting formats go hand in hand. Budgeting procedures that have greater levels of detail allow accounting to be more precise. Auditing systems exist to build in checks and balances within school districts and between school districts and the state. Many accounting systems contain strong internal auditing procedures to ensure appropriate use of funds within an organization. In addition, many states require school districts to have an annual external audit done by a creditable auditing firm. Although these accounting and auditing procedures may sound demanding, they represent the minimum level of generally accepted practices from accounting professionals.

At the state level, budgeting, accounting and auditing information becomes an important fiscal data base for decision making by state policymakers. Naturally, budgeting and accounting systems that track expenditures to the program and site levels are more useful than the line-item approach. Performance-based budgeting adds another dimension to the data base, allowing comparisons of expenditure and educational results.

Fiscal accountability systems require an investment of resources to implement and maintain. It takes resources to introduce new budgeting and accounting systems to school districts. At the state level, data base creation and management requires an ongoing fiscal commitment.

5. Stability

A sound state school finance system promotes predictability and stability of educational revenues and expenditures over time.

Stability in revenues and expenditures is important for all publicly funded services, but in particular it is critical for education where wide fluctuations in funding levels may be disruptive. Dramatic reductions in revenues for a period as short as a year may impair the quality of children's education and have long-term effects on their academic success.

The source, type and mix of revenues used for a state school finance system all contribute to its stability. Revenue sources that do not respond precipitously to short-term economic changes, such as the property tax, are the most stable. Tax revenues from income and sales tend to fluctuate more. Revenues from state activities such as lotteries and gaming also react directly to economic changes, making them less predictable. A sound state school finance system balances these sources to provide as stable a mix of funding as possible while balancing other policy goals, such as equity and efficiency.

Stability in revenues permits local school districts to engage in long-term planning for educational programs, budgets and expenditures. Stable educational programs with predictable funding allow educators to evaluate the success of these programs over time and hence facilitate accountability for results.

APPENDIX A
Federal, State and Local Shares in Funding Public Education, 1993-94

State	Federal (percent)	State (percent)	Local (percent)
Alabama	13.1	65.4	21.6
Alaska	12.6	63.6	23.8
Arizona	8.9	42.3	48.9
Arkansas	9.4	63.1	27.5
California	8.9	54.9	36.2
Colorado	5.8	46.0	48.2
Connecticut	4.6	39.5	55.9
Delaware	9.1	65.1	25.8
Florida	7.7	49.8	42.4
Georgia	8.4	49.4	42.2
Hawaii	7.1	90.9	2.1
Idaho	8.1	60.9	30.9
Illinois	8.2	32.9	58.8
Indiana	5.2	52.1	42.6
Iowa	5.7	48.4	45.9
Kansas	5.5	49.7	52.5
Kentucky	10.2	67.2	22.6
Louisiana	12.3	53.6	34.0
Maine	7.0	48.5	44.4
Maryland	5.6	39.0	55.4
Massachusetts	5.5	36.0	58.5
Michigan	5.7	32.1	62.2
Minnesota	5.1	46.5	48.5
Mississippi	16.6	53.8	29.6

State	Federal (percent)	State (percent)	Local (percent)
Missouri	6.6	37.5	55.9
Montana	9.2	53.8	37.0
Nebraska	4.8	39.1	56.1
Nevada	5.0	36.0	59.0
New Hampshire	2.8	8.3	88.9
New Jersey	4.2	41.5	54.3
New Mexico	10.3	61.8	27.9
New York	5.6	39.2	55.2
North Carolina	8.9	63.8	27.3
North Dakota	11.5	43.6	44.9
Ohio	6.2	43.4	50.4
Oklahoma	7.4	63.3	29.4
Oregon	7.3	41.0	51.7
Pennsylvania	6.2	41.4	52.5
Rhode Island	4.5	40.7	54.8
South Carolina	9.6	46.9	43.5
South Dakota	10.8	25.3	63.9
Tennessee	9.8	48.9	41.3
Texas	8.5	43.4	48.1
Utah	7.1	54.9	38.0
Vermont	5.2	32.4	62.5
Virginia	6.6	34.2	59.2
Washington	5.9	71.0	23.0
West Virginia	8.2	64.6	27.2
Wisconsin	4.4	38.7	56.9
Wyoming	5.8	52.2	42.1

Source: National Education Association, *1994-95 Estimates of School Statistics* (Washington, D.C., 1995), 38.

APPENDIX B
Description and Classification of Basic School Finance Formulas. 1993-94

These descriptions explain how basic aid formulas were designed to be implemented by their creators. If these programs are not implemented as described, their fiscal impact can be very different. Although many of the examples define local wealth as the assessed valuation of real property, several states now use income as a consideration in determinations of local wealth.

Flat Grant

The flat grant is one of the oldest types of state aid to school districts. A flat grant program is a straightforward mathematical method of state funding, in which the money available is divided by a simple unit of measure. A state first selects a funding unit, such as students or teachers; then an equal amount is distributed per unit. For instance, the flat grant may be set at $5,000 per student. In that case every school district would receive $5,000 per student, regardless of the wealth or tax effort of the school district in which the student resides. Districts with and without special needs students also would receive the same amount. Although this type of basic aid program is simple to administer from a state level, it has serious implications for equity in funding.

Foundation Program

The foundation program has existed since the early 1920s, and today is used in some form by four-fifths of states. The goal of a foundation program is to provide every student with an adequate level of education through a state-local partnership in funding. After a state determines the cost of providing an adequate education, it is funded in proportion to a school district's wealth. Every school district is required to make an equal tax effort, usually in the form of a property tax rate. State funding makes up the difference between the local contribution and the state-determined cost of education, or the foundation level.

For example, a state may determine the cost of an adequate education is $5,000 per student. Five thousand dollars is then referred to as the "foundation level." Second the state sets the required local effort, for example, 10 mills or $10 per $1,000 assessed valuation of property. If a school district has an average per -pupil assessed valuation of $100,000, the required local effort will yield $1,000 per pupil. The state will then fund the difference of $4,000 per pupil for a total state/local expenditure of $5,000. School districts where the required tax rate yields more than foundation level would not receive state assistance. The success of the foundation program is dependent upon the state-local partnership, and a uniform local tax effort is essential. States that use a foundation program without local effort compromise the student and taxpayer equity of the funding formula by turning it into a de facto flat grant.

Most states with a foundation program permit local school districts to raise local revenues beyond the foundation level through voter approval of higher local property tax rates. In many states, the ability to spend beyond the foundation level is viewed as an important local control issue. On the other hand, it can result in wide disparities in per-pupil spending across school districts and create serious inequities.

Guaranteed Tax Base or Guaranteed Yield Programs

Guaranteed tax base (GTB) and guaranteed yield (GTY) programs, also referred to as power-equalization programs, were developed in 1970. Unlike the goals of the flat grant and foundation program, the primary goals of the GTB/GYP programs are local control and taxpayer equity. Local school districts are free to select any tax rate for education. The state then "equalizes" the dollars generated through that tax rate by supplying state assistance for each unit of effort, usually a property tax rate, in relationship to the wealth of the school district. Generally, a state sets a maximum dollar "yield" or "base" per unit of effort based on a state average of per-pupil assessed valuation of property.

For example, a school district sets a tax rate of 10 mills for its level of support of education. If the school district has a per-pupil assessed valuation of property of $100,000, each mill yields $100, for a total of $1,000. Under the GTB/GYP, the state would equalize the yield per mill up to the state average of per-pupil assessed valuation of property, for

example, $250,000. Note that the state average yields $250 per mill. Hence the school district would receive state aid of $150 for each mill it levied. For this school district, a 10 mill levy yields $2,500 per pupil when state and local support are combined. If the school district chose to tax itself at a rate of 20 mills, the sum of state and local support would be $5,000 per pupil.

School districts with above average per-pupil property wealth would not receive any state assistance under this program. Poor school districts that tax themselves at high levels would be the greatest beneficiaries. However, in the case of a poor school district that taxed itself at a low level and hence spent far below the state average, serious student equity issues arise. Another drawback of GTB/GYF programs is the ambiguity they introduce into state budgeting. If these programs are to work as designed, school districts' discretion to set local tax rates is open-ended, and the state is obligated to equalize them. As school districts change tax rates, state obligations also change.

Percentage Equalization Program

The percentage equalizing program is mathematically a variation of the power equalization program, also known as the guaranteed tax base or guaranteed yield program. All share the primary goals of local control and taxpayer equity. The percentage equalization is based on an "aid ratio" that determines the state-local funding partnership. The aid ratio is usually calculated by dividing the average per-pupil wealth of the school district by the average wealth of the state as a whole. In addition, the state sets an equalization percentage; that is, the state will guarantee to fund a percentage of the aid ratio.

For example, a school district has a per-pupil assessed valuation of property of $100,000 while the state average is $250,000. The aid ratio for the school district is then 0.25. The state selects an equalization percentage factor that applies to all school districts, for example, 0.5. The product of the aid ratio and equalization percentage factor, 0.125, is subtracted from 1.0, yielding an equalization percentage of 0.875, the percentage of the local school district's budget that the state will fund. If the school district has set a budget of $1 million, the state will fund $875,000 and the school district $125,000.

The percentage equalization program has the same strengths and weaknesses of the power equalization program. Its strengths lie in its high degree of local control and taxpayer equity, while its weaknesses lie with the potential for student inequity and ambiguity for state budgets. In addition, the percentage equalization is relatively more complex than other formulas, making it more difficult for policymakers and educators to understand its operation and impact.

Full State Funding

The underlying rationale for full state funding is a philosophy that because education is primarily a state responsibility, so is funding. In reality, the only state with full state funding is Hawaii, which is composed of a single school district. In other cases, full state funding is approached by making the local property tax a state tax and distributing it as a part of state aid. In this example, the state mandates a uniform property tax rate of, say, 10 mills, to be collected by the state. The property tax revenue is pooled with other state revenues for distribution on a per-pupil basis. Though on the surface, the funding program may appear very similar to a flat grant program, full state funding results in equal per-pupil spending across school districts because there is no local discretion to raise additional funding as there is with a flat grant.

Classification of Basic School Finance Formulas, 1993-94

Flat Grants	Foundation Programs		Percentage Equalization Programs	Guaranteed Tax Base/Yield Programs	Full State Funding
Delaware (with separate equalization component)	***Local Efforts Required***	***Local Efforts Not Required***	Rhode Island	Indiana	Hawaii
	Alabama	Arizona		Wisconsin	Washington
	Alaska	Arkansas			
	Colorado	California	**Foundation Type**		
North Carolina	Florida	Idaho	***Local Efforts Required***		
	Georgia[1]	Illinois			
	Iowa	Kansas	Connecticut		
	Kentucky	Louisiana			
	Maine	Maryland	***Local Effort Not Required***		
	Massachusetts	Montana[1]			
	Michigan	Nebraska	New York		
	Minnesota	New Hampshire	Pennsylvania		
	Mississippi	New Jersey			
	Missouri[2]	North Dakota			
	Nevada	Oklahoma			
	New Mexico	Oregon			
	Ohio	South Dakota			
	South Carolina	Vermont			
	Tennessee	West Virginia			
	Texas[1]				
	Utah				
	Virginia				
	Wyoming				
Total = 2	**Total = 22**	**Total = 18**	**Total = 4**	**Total = 2**	**Total = 2**

The following states provided descriptions for years other than 1993-94: Colorado 1994-95, Michigan—1994-95, and Wyoming—1992-93.

1. These states have a second tier of GTB/GTY funding in addition to the foundation program.

2. Missouri incorporates a GTB add-on into the basic support formula.

Source: Steven D. Gold, David M. Smith, and Stephen B. Lawton, *Public School Finance Program of the United States and Canada*, 1993-94, vol. 1 (Albany, N.Y.: American Education Finance Association and Center for the Study of the States, 1995), 24.

Suggestions for Further Reading

Crampton, Faith E., and Terry N. Whitney. "Equity and Funding of School Facilities: Are States at Risk?" *NCSL State Legislative Report*. 20, no. 1 (February 1995).

A summary of recent litigation where inequities in funding facilities played a role in state courts' decisions regarding the constitutionality of school funding systems.

Garms, Walter I.; James W. Guthrie; and Lawrence C. Pierce. *School Finance: The Economics and Politics of Public Education*. Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1978.

A classic school finance text. In particular, the chapter "Distributing State Education Dollars" is helpful in understanding school finance formulas. It also provides a useful historical perspective on state funding systems.

Gold, Steven D.; David M. Smith; and Stephen B. Lawton. *Public School Finance Programs of the United States and Canada, 1993-94*. Vol. 1 and 2. Albany, N.Y.: American Education Finance Association and Center for the Study of the States, 1995.

A comprehensive guide to state school funding systems. It includes an overview with several state-by-state summary tables. In addition, a separate chapter for each state describes in considerable detail its funding system.

Foundation for State Legislatures. Fiscal Affairs Project. *Principles of a High-Quality State Revenue System*. Second Edition. Denver, Colo.: National Conference of State Legislatures, 1992.

A concise booklet describing guiding principles for designing tax systems to address current and future revenue needs of states.

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